

## **BUDGET, FINANCE & INVESTMENT COMMITTEE**

**April 8, 2010**

**5:30 P.M.**

**Courthouse**

### MINUTES:

#### Members Present:

Comm. Bob Bullen  
Comm. Joe Frank Jernigan  
Comm. Will Jordan  
Comm. Robert Peay  
Comm. Steve Sandlin  
Comm. Doug Shafer  
Comm. Joyce Ealy, Chrm.

#### Others Present:

Ernest Burgess  
Teb Batey  
Lisa Nolen  
Lois Miller  
Jim Kelly  
Bernard Salandy  
Mary Schneider

#### Others Present:

Dana Garrett  
Philip Martin  
Regina Nelson  
Preble Acton  
Jeff Sandvig  
Bob Schwarz  
Charlie Baum

#### Others Present:

Scott Broden  
Elaine Short

Chairman Ealy presided and called the meeting to order at 5:30 P.M. with all members being present.

### APPROVE MINUTES:

The minutes of the March 4, 2010 Budget Committee meeting were presented for approval.

Comm. Jernigan moved, seconded by Comm. Sandlin to approve the minutes as presented. The motion passed unanimously by acclamation.

### INVESTMENT REPORT:

Mr. Teb Batey, Trustee, presented the monthly Investment Report for the use and information of the committee advising that the LGIP interest rate for the month was .21%, which was the same as last month.

Mr. Batey advised that there were two investment bids taken during the past month with one bid going to Wilson Bank & Trust at .75% for six months. The second bid was declined as all of the bids except one were below the LGIP rate. The one bid above the LGIP rate was .60% for one year, and Mr. Batey did not want to tie the county's funds up for that long at that rate.

Following review, Comm. Sandlin moved, seconded by Comm. Jordan to approve the Investment Report as presented. The motion passed unanimously by acclamation.

### FUND CONDITION REPORT:

Mrs. Lisa Nolen, Finance Director, presented the monthly Fund Condition Report advising that the Development Tax collections for the month totaled \$96,750 with the year-to-date collections being \$1,123,500. This compared to the same period last year when the monthly collections were \$141,000, and the year-to-date collections were \$2,296,500.

The Finance Director reviewed the funds' cash balances which totaled \$202,234,677 with \$177,589,226 being operating funds, and \$24,645,451 being borrowed funds. This compared to the same period last year when the total fund cash balances were \$168,690,373 with \$155,870,601 being operating funds and \$12,819,772 being borrowed funds.

Mrs. Nolen advised that later in the meeting she would be requesting to close out the balances for the Correctional Work Center/Juvenile Detention Center at \$813.00 and the balance in the Jail Expansion/Renovation Project of \$8,651.25. She advised that she would be requesting to transfer these funds along with some other funds to the County Clerk Smyrna Building.

Following review, Comm. Sandlin moved, seconded by Comm. Peay to approve the Fund Condition Report as presented. The motion passed unanimously by acclamation.

The Finance Director noted that there was some concern regarding the Drug Control Fund as only 29% of the estimated revenue had been received at this point. She stated that would cause some problems during the upcoming budget process.

#### INSURANCE REPORT:

Ms. Lois Miller introduced Mr. Jim Kelly from Secova.

Ms. Miller presented the monthly Insurance Financial Report for the use and information of the committee advising that the employee costs per month for the medical, dental and vision program were trending upward as well as the costs for the CareHere Clinics. She advised that the medical costs were up 1.5% over last year, and that was a very good trend. However, last year at this time, the costs were up 17%. That means the costs are up the 17% from last year plus 1.5% this year.

The CareHere costs are up 7.4% and when considering all of the costs together, the plan costs as a whole are up 1.8%.

Ms. Miller advised that the GASB liability was \$22.8 million.

Ms. Miller reviewed the Work Injury Fund performance advising that overall the claims were down from last year. The claims costs were 77.8% of last year's claim costs.

Following review, Comm. Bullen moved, seconded by Comm. Jernigan to approve the Insurance financial report as presented. The motion passed unanimously by acclamation.

Comm. Shafer asked if entities in the State of Tennessee were allowed to set up trust funds regarding insurance liability for retirees.

Ms. Miller and Mrs. Nolen advised that it was allowable in the State of Tennessee.

Comm. Shafer asked for information regarding the establishment of a Trust Fund for the retirees' health insurance sometime after the budget process.

#### RECOMMENDATION FOR CIGNA MEDICAL AND DENTAL ADMINISTRATION RENEWAL:

Ms. Miller advised that this was the third year of a three-year guarantee from CIGNA for the medical administration. She advised that the fees were flat on all items with the exception of the Stop Loss Premiums. She stated that usually on the Stop Loss Premium there would be an increase of about 10% to 15%; however, this year CIGNA offered to maintain the limit at \$380,000 and actually lowered the cost by two percent. The total annual medical administration costs would be \$2,294,967.

On the dental program, the costs represent the second year of a three-year guarantee for a total cost of \$121,000.

Ms. Miller advised that if the county renewed the plan as is, there would be a small saving. She presented an alternate renewal which provided the same guarantees; however, the premium for the Stop Loss Premiums could be further reduced from \$9.55 per employee to \$8.80 per employee if the county purchased two new disease management programs – CIGNA Healthy Pregnancies, Healthy Babies and Cancer Care Support. She advised that the additional costs for the two new programs would be less than the savings being offered. Additionally, there would be a small amount of claim savings if the two new programs were purchased. She advised that the total savings would be about \$82,000 with the annual estimated cost for the medical plan being \$2,224,002.

Ms. Miller advised that the two new programs were advocacy programs. She advised that the Cancer Care Program would cost approximately 35 cents per employee per month. It would help

the members who have been diagnosed with cancer throughout their entire treatment, and it would also help people now who are trying to maintain their health. If an individual is a cancer survivor, the program will help the individual manage their recovery. The program would also offer end-of-life support.

The Healthy Pregnancies, Health Babies Program is also an advocacy program and cost 37 cents per employee per month. This program is intended to try to get better results on pregnancies. Ms. Miller advised that currently the county had 13 high-risk pregnancies, which has cost \$1.1 million so far of the large claims. The program is an incentive based program.

Ms. Miller advised that the Insurance Committee approved the alternative scenario, which was to purchase Healthy Pregnancies, Health Babies and the Cancer Care Support programs paying for that with the savings from the Stop Loss reduction at a total cost of \$2,224,002.

Following review, Comm. Bullen moved, seconded by Comm. Shafer to authorize the County Mayor to execute the medical and dental administration renewal with CIGNA Healthcare utilizing the alternative proposal to purchase two new products, Healthy Pregnancies, Healthy Babies and Cancer Care Support at an annual cost of \$2,224,002 effective July 1, 2010. The motion passed unanimously by roll call vote.

RECOMMENDATION TO AWARD HEALTH INSURANCE DEPENDENT AUDIT TO SECOVA:

Ms. Miller advised that Mr. Kelly was present to answer questions that she could not answer.

Ms. Miller advised that an audit of the county's health insurance plan was being proposed to check the eligibility of the dependents currently on the plan. She advised that there could be cases where dependents were being covered on the health insurance plan but were inaccurately enrolled, and she believed that there was a fiduciary responsibility to be certain that claims were being paid only for individuals who were eligible to be on the county's health insurance plan. Ms. Miller advised that it would take five to six months to perform the audit, and it would take place in two phases. The County would be audited in the first phase and then the audit of the Board of Education would be conducted. She advised that there would be a complete review of the current eligibility criteria and recommendations to tighten them up if necessary prior to the audit. The entire process would be managed by a project manager, and all communication pieces would be customized for Rutherford County with input from the Insurance Department. There will be weekly status meetings. The audit will include an amnesty period, an audit period, and a silent grace period. The county will receive an analysis of the results and a final client report. There will be a possibility of purchasing ongoing services if necessary to maintain a clean eligibility.

Ms. Miller advised that four companies were reviewed, and a finalist committee selected two of the companies, AON and Secova, to go before the Insurance Committee with Secova being the selected company to perform the dependent audit. Ms. Miller advised that AON's proposal was less expensive at a cost of \$82,576 than Secova with a cost of \$100,217. However, AON only offered two hours of on-site training compared to Secova offering training as needed. Also, AON offered call center hours Monday through Friday, and Secova Offered call center hours 24 hours a day, seven days per week. Ms. Miller advised that the estimate of ineligible dependents was 4%, which was a conservative estimate, but would generate a savings of almost \$862,000.

Following review, Comm. Jernigan moved, seconded by Comm. Jordan to accept the Insurance Committee's recommendation and authorize the County Mayor to execute a contract with Secova at a cost of \$100,217 to conduct the dependent audit of the county's health insurance plan. The motion passed unanimously by roll call vote.

**RECOMMENDATION TO AMEND HEALTH INSURANCE SUMMARY PLAN  
DOCUMENT TO INCLUDE COVERAGE FOR COCHLEAR IMPLANTS:**

Ms. Miller advised that there was a young member participating in the Rutherford County Health Insurance Plan who suffered from bilateral profound sensorineural hearing loss. The child has a cochlear implant to help recognize sounds and speech. The implant has been in place for several years, and it has helped the individual communicate successfully, but needs updating. The cost of the update is approximately \$8,400. A cochlear implant is a device that provides stimulation directly to the auditory nerve. An implant does not result in restored hearing for the recipient, but allows an individual to perceive sounds. The Rutherford County Summary Plan Description currently excludes this service. It states that no payment will be made for any charges for hearing aids and examinations for the fitting of hearing aids. For the purpose of the plan, hearing aids shall include any procedure or device designed to restore or enhance the covered person's ability to hear, including but not limited to audient bone conduction, electromagnetic, and/or surgically-implanted devices.

Ms. Miller stated that a possible change could be that no payment will be made for any charges for hearing aids and examinations for the fitting of hearing aids, including but not limited to semi-implantable hearing devices, audient bone conductors and bone anchored hearing aids. A hearing aid is any device that amplifies sound. This exclusion would not include cochlear implants because they transmit sound, not amplify sound.

Ms. Miller advised that the prevalence of this condition was low with actuarial estimates showing that 2.5 children and .5 adults would require the aid of cochlear implants. The average cost of the cochlear implant was approximately \$55,000. Annual estimated costs to Rutherford County were \$52,000. The costs are reasonably offset by the reduced necessity for speech and hearing therapy sessions. Ms. Miller advised that once the procedure of the implant was performed, then it would be a matter of updating it every several years.

The Insurance Appeals Committee has approved the addition of cochlear implants to the Summary Plan Description. The Insurance Committee unanimously approved the addition.

Following review, Comm. Sandlin moved, seconded by Comm. Jernigan to authorize an amendment to the county's health insurance Summary Plan Description to include coverage for cochlear implants. The motion passed unanimously by roll call vote.

**GENERAL FUND BUDGET AMENDMENTS**

**CORRECTIONAL WORK CENTER:**

Mr. Bernard Salandy, Correctional Work Center Director, requested approval of the following budget amendments to provide additional funding from the Miscellaneous Gasoline Account to cover estimated gasoline for the remainder of the Fiscal Year; and to provide additional funding for the estimated medical expenses to Southern Health Partners and to cover anticipated expenses for meals and laundry services provided by ABL for inmates:

From: 101-58900-425 – Miscellaneous/Gasoline -	\$ 6,000
To: 101-54220-425 – Work Center/Gasoline -	\$ 6,000
From: 101-54220-109 – Captains -	\$20,000
101-54220-347 – Pest Control -	1,800
101-54220-452 – Utilities -	35,000
101-54220-205 – Employee Insurance -	25,000
101-39000 – Undesignated Fund Balance -	38,200
To: 101-54220-399 – Other Contracted Services -	\$120,000

Following review, Comm. Sandlin moved, seconded by Comm. Peay to approve the budget amendments for the Correctional Work Center to transfer \$6,000 from Account 101-58900-425,

Miscellaneous Gasoline, to Account 101-54220-425, Correctional Work Center Gasoline; to transfer \$20,000 from Account 101-54220-109, Captains, \$1,800 from 101-54220-347, Pest Control; \$35,000 from 101-54220-452, Utilities; \$25,000 from 101-54220-205, Employee Insurance; and to amend \$38,200 from 101-39000, Undesignated Fund Balance, with a total of \$120,000 to Account 101-54220-399, Other Contracted Services. The motion passed unanimously by roll call vote.

DRUG COURT:

Ms. Mary Schneider, Drug Court Coordinator, requested approval of the following budget transfer to provide funding to pay the accumulated compensatory time for an employee who terminated:

From: 101-53330-189 – Other Salaries/Wages -	\$700
To: 101-53330-187 – Overtime Pay -	\$700

Comm. Bullen moved, seconded by Comm. Peay to approve the budget transfer for the Drug Court as requested to transfer \$700 from Account 101-53330-189, Other Salaries & Wages, to Account 101-53330-187, Overtime Pay, to pay the accumulated compensatory time for an employee who left employment. The motion passed unanimously by roll call vote.

UNEMPLOYMENT COMPENSATION:

Finance Director Lisa Nolen requested approval of the following budget amendment to provide adequate funding for the Unemployment Compensation for the remainder of the Fiscal Year:

From: 101-39000 – Undesignated Fund Balance -	\$16,000
To: 101-58600-210 – Unemployment Compensation -	\$16,000

Comm. Jordan moved, seconded by Comm. Sandlin to approve the budget amendment of \$16,000 from Account 101-39000, Undesignated Fund Balance, to Account 101-58600-210, Unemployment Compensation. The motion passed unanimously by roll call vote.

COUNTY BUILDINGS:

The Finance Director requested approval of the following budget transfer for the County Buildings Department to correct a budget amendment from the previous month to provide funding relating to the purchase of supplies for the H1N1:

From: 101-51800-499 – Other Supplies & Materials -	\$7,300
To: 101-51800-410 – Custodial Supplies -	\$7,300

Comm. Sandlin moved, seconded by Comm. Jernigan to approve the transfer for the County Buildings Department transferring \$7,300 from Account 101-51800-499, Other Supplies & Materials, to Account 101-51800-410, Custodial Supplies, to correct a budget amendment from the prior month. The motion passed unanimously by roll call vote.

**AMBULANCE SERVICE FUND BUDGET AMENDMENT**

The Finance Director requested approval of the following budget amendment for the Ambulance Service appropriating payments received from MTSU for medical coverage at events for Overtime Pay and the related benefits:

Increase Revenue:	118-43990 – Other Charges for Services -	\$4,518
Increase Expend.:	118-55130-187 – Overtime Pay -	\$3,594
	118-55130-201 – Social Security -	280
	118-55130-204 – State Retirement -	578
	118-55130-212 – Employer Medicare -	66

Comm. Bullen moved, seconded by Comm. Jernigan to approve the Budget Amendment increasing revenue Account 118-43990, Other Charges for Services, by \$4,518 for payments received from MTSU for special events and appropriating the revenue with \$3,594 to Account 118-55130-187, Overtime Pay; \$280 to Account 118-55130-201, Social Security; \$578 to Account 118-55130-204, State Retirement; and \$66 to Account 118-55130-212, Employer Medicare. The motion passed unanimously by roll call vote.

APPROVE AGREEMENT WITH THE TENNESSEE DEPARTMENT OF HEALTH:

Ms. Dana Garrett, Health Department Director, requested approval of an annual Agreement with the Tennessee Department of Health for the period of July 1, 2009 through June 30, 2010 for the purpose of protecting and improving the physical health of the State's citizens through the prevention of conditions that may be a threat to good health, individually and collectively. The Agreement provides that Rutherford County shall appropriate a total of \$603,222 for the support of the Rutherford County Health Department with \$474,847 being direct local funds for which Rutherford County shall not be billed and \$128,375 of the appropriations being paid to the State of Tennessee, Department of Health.

Comm. Peay moved, seconded by Comm. Jernigan to approve the annual Agreement with the Tennessee Department of Health for the period of July 1, 2009 through June 30, 2010 in the amount of \$603,222 with \$128,375 of the appropriations being paid directly to the State of Tennessee, Department of Health. The motion passed unanimously by roll call vote.

Ms. Garrett advised that the Health Department had received funds to assist with the H1N1 vaccinations, and the County Commission had previously approved a budget amendment appropriating the funds. She explained that the State had decided that those federal dollars should be spent to prepare for the next emergency and to replace some things that were used in the H1N1 emergency. She advised that originally most of the money had been appropriated for salary and benefits and other contracted services. She explained that she had requested an amendment from the state to permit some of the money be moved to supplies. She advised that she had not received the approved amendment to the Agreement from the State, but she requested approval of the amendment from the committee to be forwarded to the County Commission contingent upon receiving the documentation from the State. The approximate amount to be transferred would be \$56,450.

The Finance Director advised that the reason the amendment was not presented to the committee was because she did not want to amend the county's budget until approval had been received from the State to amend the contract.

Comm. Jernigan moved, seconded by Comm. Shafer to approve a transfer of approximately \$56,450 to provide funding to purchase supplies contingent upon the amended contract being received from the Tennessee Department of Health in order to be presented to the County Commission on April 15. The motion passed unanimously by roll call vote.

APPROVE GRANT CONTRACT WITH THE TENNESSEE DEPARTMENT OF FINANCE & ADMINISTRATION FOR A THREE-YEAR STOP VIOLENCE AGAINST WOMEN GRANT FOR THE SHERIFF'S DEPARTMENT:

Chief Regina Nelson and Philip Martin requested approval for the Mayor to execute a Grant Contract with the Tennessee Department of Finance & Administration for a three-year STOP Violence Against Women Grant in the amount of \$131,457 over the three-year period, which requires a 25% match. The money will be used to hire a domestic violence investigator. The term of the grant begins July 1, 2010 and ends June 30, 2013.

Comm. Sandlin stated that continuation of the position after the initial three-year grant would depend on continuing to receive the grant funding.

Following discussion, Comm. Jordan moved, seconded by Comm. Sandlin to authorize the County Mayor to execute the Grant Contract with the Tennessee Department of Finance &

Administration for a three-year STOP grant in the amount of \$131,457 requiring a 25% match to be used to hire a domestic violence investigator for the Sheriff's Department beginning July 1, 2010. The motion passed unanimously by roll call vote.

GENERAL CAPITAL PROJECTS FUND BUDGET AMENDMENTS:

Finance Director Lisa Nolen requested approval of General Capital Projects Fund budget amendments transferring \$813 from the Correctional Work Center, \$8,651 from the Jail Expansion/Renovations Project, and \$5,536 from the Ambulance Stations Project with a total of \$15,000 to the County Clerk Smyrna Office Building Project. The transfers would close out the Correctional Work Center and the Jail Expansion/Renovations Projects and would leave \$15,913 in the Ambulance Station Project.

Comm. Jernigan asked why the additional money was needed for the County Clerk building.

The Finance Director advised that the County Clerk project would still be within the projected budget, but the entire budget was never funded in the beginning. She stated it was hoped there would be some savings, and the County Clerk project was still below the initial project estimate.

Following discussion, Comm. Peay moved, seconded by Comm. Jernigan to approve the transfer of \$813 from the Correctional Work Center Project, \$8,651 from the Jail Expansion/Renovations Project, and \$5,536 from the Ambulance Station Project with a total of \$15,000 to the County Clerk Smyrna Office Building Project. The motion passed unanimously by roll call vote.

INFORMATION REGARDING DEBT REFUNDING:

The Finance Director requested approval of a Resolution authorizing, in one or more series, of General Obligation Refunding Bonds for the purpose of refunding all or a portion of certain outstanding General Obligation Bonds. The outstanding issues to be considered for the refunding were General Obligation Public Improvement Refunding bonds, Series 2001 dated March 1, 2001 in an aggregate principal amount of \$52,260,000; General Obligation School and Public Improvement Bonds, Series 2002 dated June 1, 2002 in the aggregate principal amount of \$15,510,000; General Obligation School and Public Improvement Bonds, Series 2003 dated April 1, 2003 in the aggregate principal amount of \$21,500,000; General Obligation School and Public Improvement Bonds, Series 2003A dated December 1, 2003 in the aggregate principal amount of \$23,400,000; General Obligation Bonds, Series 2004 dated December 1, 2004 in the aggregate principal amount of \$46,500,000; and General Obligation School and Public Improvement Bonds, Series 2006 dated June 1, 2006 in the aggregate principal amount of \$55,680,000 for a total of \$214,850,000.

She advised refunding the bonds would have to do with the appropriate timing such as the investment rate on the proceeds received compared to the borrowing rate.

The Finance Director provided a spreadsheet of all of the county's debt reflecting the callable and the noncallable portions and also reflecting the issues not being considered for the refunding. She advised that the Resolution would provide the authority and the flexibility to issue the refunding bonds in one or more emissions. She explained the reason for refunding the bonds would be to help with the debt service payments with the goal being to reduce the debt service.

The Finance Director explained that the Resolution also gives the flexibility to issue the refunding bonds either through a negotiated sale or a competitive sale.

The Finance Director advised that Sam Crewse from Stephens, Inc. would be present at the County Commission meeting and the reason why he was suggesting refunding so many issues at one time was because sometimes there was a benefit from economies of scale.

Mayor Burgess advised that the refunding would not be done unless the savings, after the expenses were paid, were in the neighborhood of 2% or more.

Following discussion, Comm. Bullen moved, seconded by Comm. Peay to approve a Resolution and forward the same to the County Commission authorizing the issuance, in one or more series, of General Obligation Refunding Bonds up to an approximate amount of \$214,850,000.

Comm. Jordan stated that he wanted to be sure that by refunding some of the issues that the maturity date would not be extended beyond what was originally issued.

Chairman Ealy stated that the Resolution authorized the County Mayor and the Finance Director in conjunction with the Financial Advisors to decide on the timing and whether or not the timing was right to issue the refunding bonds. The financial advisors will be monitoring the market to determine if the timing is right to issue the bonds and if it benefits the county. She stated that the motivation for issuing the bonds would be to reduce the debt service payments.

After further discussion, the motion to approve the Resolution and forward the same to the County Commission authorizing the issuance, in one or more series, of General Obligation Refunding Bonds up to an approximate amount of \$214,850,000 passed unanimously by roll call vote.

ADJOURNMENT:

Chairman Ealy reminded the committee about the next Budget Committee meeting on April 29, 2010 at 5:00 P.M., at which time the 2010-11 budget overview will be presented.

There being no further business to be presented at this time, Chairman Ealy declared the meeting adjourned at 6:30 P.M.

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Elaine Short, Secretary